Supported preparation: HL market power and information

International Baccalaureate · IB Diploma · Economics · HL

Scope and prerequisites

IB economics first assessment 2022. Three supervised news commentaries cover microeconomics, macroeconomics and the global economy through distinct key concepts. School checks source recency and commentary requirements against the full guide.

Mapped preparation outcomes: ib_economics_hl.4.1, ib_economics_hl.4.2. Read the matching native lesson first. Actual approved choices, evidence and final learner work remain separate.

Source vocabulary

adverse selection ; **moral hazard** .

Explanation and worked method

Asymmetric information means one party knows relevant facts the other lacks. Market power can restrict output and increase price relative to competitive conditions, but comparison requires assumptions and cost evidence. Intervention may improve information or competition while creating administrative costs or unintended responses.

Original source / task evidence

Task: customers cannot judge repair quality before purchase; one local provider charges high prices. Compare an inspection disclosure rule with a price ceiling.

Separate what is stated from the interpretation.
HL market power and information

Task: customers cannot judge repair quality before purchase; one local provider charges high prices. Compare an inspection disclosure rule with a price ceiling.

Verified disclosure directly addresses information quality but needs trustworthy inspection. A binding ceiling may improve affordability for available services yet reduce supply or quality if below viable cost. Identify the demand/supply or cost/revenue diagram appropriate to the claim; label price, quantity and assumptions. Do not infer exploitation from price alone.

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Independent transfer

A high-price repair firm claims unusually high costs. What evidence would distinguish this from market power?

Attempt independently before reading the model.

Checked original model

Compare relevant costs, prices, profits, quality, entry barriers and customer alternatives over compatible periods. High price alone cannot separate high cost from restricted competition. Use the resulting model to choose information or competition intervention and consider its costs.

These are authored formative expectations, not official IB descriptors. Accept other justified arguments with evidence and material limits.

Source and task holds

This supplement teaches the method for this part of the course. The full assessment criteria and any texts your school chooses come from your teacher.

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